



GENERAL ASSEMBLY

COMMONWEALTH OF KENTUCKY

2006 REGULAR SESSION

SENATE BILL NO. 69

WEDNESDAY, FEBRUARY 1, 2006

The following bill was reported to the House from the Senate and ordered to be printed.

RECEIVED AND FILED
DATE April 21, 2006
3:31pm

TREY GRAYSON
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY R. Soller

AN ACT relating to reorganization.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

1 Section 1. KRS 12.020 is amended to read as follows:

2 Departments, program cabinets and their departments, and the respective major
3 administrative bodies that they include are enumerated in this section. It is not intended
4 that this enumeration of administrative bodies be all-inclusive. Every authority, board,
5 bureau, interstate compact, commission, committee, conference, council, office, or any
6 other form of organization shall be included in or attached to the department or program
7 cabinet in which they are included or to which they are attached by statute or statutorily
8 authorized executive order; except in the case of the Personnel Board and where the
9 attached department or administrative body is headed by a constitutionally elected officer,
10 the attachment shall be solely for the purpose of dissemination of information and
11 coordination of activities and shall not include any authority over the functions,
12 personnel, funds, equipment, facilities, or records of the department or administrative
13 body.

14 I. Cabinet for General Government - Departments headed by elected officers:

- 15 1. The Governor.
- 16 2. Lieutenant Governor.
- 17 3. Department of State.
 - 18 (a) Secretary of State.
 - 19 (b) Board of Elections.
 - 20 (c) Registry of Election Finance.
- 21 4. Department of Law.
 - 22 (a) Attorney General.
- 23 5. Department of the Treasury.
 - 24 (a) Treasurer.
- 25 6. Department of Agriculture.

- 1 (a) Commissioner of Agriculture.
- 2 (b) Kentucky Council on Agriculture.
- 3 7. Auditor of Public Accounts.
- 4 II. Program cabinets headed by appointed officers:
- 5 1. Justice Cabinet:
- 6 (a) Department of State Police.
- 7 (b) Department of Criminal Justice Training.
- 8 (c) Department of Corrections.
- 9 (d) Department of Juvenile Justice.
- 10 (e) Office of the Secretary.
- 11 (f) Offices of the Deputy Secretaries.
- 12 (g) Office of General Counsel.
- 13 (h) Division of Kentucky State Medical Examiners Office.
- 14 (i) Parole Board.
- 15 (j) Kentucky State Corrections Commission.
- 16 (k) Commission on Correction and Community Service.
- 17 2. Education, Arts, and Humanities Cabinet:
- 18 (a) Department of Education.
- 19 (1) Kentucky Board of Education.
- 20 (b) Department for Libraries and Archives.
- 21 (c) Kentucky Educational Television.
- 22 (d) Kentucky Commission on the Deaf and Hard of Hearing.
- 23 (e) Operations and Development Office.
- 24 (f) Board of Directors for the Center for School Safety.
- 25 3. Environmental and Public Protection Cabinet:
- 26 (a) Office of the Secretary.
- 27 1. Office of Legislative and Intergovernmental Affairs.

- 1 2. Office of Communications and Public Outreach.
- 2 3. Office of Regulatory Affairs.
- 3 4. Office of Legal Services.
- 4 5. Office of Administrative and Information Services.
- 5 6. Office of Administrative Hearings.
- 6 7. Office of Inspector General.
- 7 8. Mine Safety Review Commission.
- 8 9. Workers' Compensation Board.
- 9 10. Kentucky State Nature Preserves Commission.
- 10 11. Kentucky Environmental Quality Commission.
- 11 12. Kentucky Occupational Safety and Health Review Commission.
- 12 (b) Department for Environmental Protection.
- 13 1. Office of the Commissioner.
- 14 2. Division of Air Quality.
- 15 3. Division of Water.
- 16 4. Division of Environmental Services.
- 17 5. Division of Waste Management.
- 18 6. Division of Enforcement.
- 19 7. Division of Compliance Assistance.
- 20 (c) Department for Natural Resources.
- 21 1. Office of the Commissioner.
- 22 2. Office of Technical and Administrative Support.
- 23 3. Division of Mine Permits.
- 24 4. Division of Mine Reclamation and Enforcement.
- 25 5. Division of Abandoned Mine Lands.
- 26 6. Division of Oil and Gas Conservation.
- 27 7. Office of Mine Safety and Licensing.

- 1 8. Division of Forestry.
- 2 9. Division of Conservation.
- 3 (d) Department of Public Protection.
- 4 1. Office of the Commissioner.
- 5 2. Division of Administrative Services.
- 6 3. Crime Victims Compensation Board.
- 7 4. Board of Claims.
- 8 5. Board of Tax Appeals.
- 9 6. Kentucky Boxing and Wrestling Authority.
- 10 7. Kentucky Horse Racing Authority.
- 11 8. Kentucky Public Service Commission.
- 12 9. Office of Alcoholic Beverage Control.
- 13 10. Office of Charitable Gaming.
- 14 11. Office of Financial Institutions.
- 15 12. Office of Housing, Buildings and Construction.
- 16 13. Office of Insurance.
- 17 (e) Department of Labor.
- 18 1. Office of the Commissioner.
- 19 2. Office of Occupational Safety and Health.
- 20 3. Office of Labor Management Relations and Mediation.
- 21 4. Office of Workplace Standards.
- 22 5. Office of Workers' Claims.
- 23 6. Workers' Compensation Funding Commission.
- 24 7. Kentucky Labor Management Advisory Council.
- 25 8. Occupational Safety and Health Standards Board.
- 26 9. Prevailing Wage Review Board.
- 27 10. Kentucky Employees Insurance Association.

- 1 11. Apprenticeship and Training Council.
- 2 12. State Labor Relations Board.
- 3 13. Workers' Compensation Advisory Council.
- 4 14. Workers' Compensation Nominating Commission.
- 5 15. Employers' Mutual Insurance Authority.
- 6 16. Division of Administrative Services.
- 7 4. Transportation Cabinet:
- 8 (a) Department of Highways.
- 9 1. Office of Program Planning and Management.
- 10 2. Office of Project Development.
- 11 3. Office of Construction and Operations.
- 12 4. Office of Intermodal Programs.
- 13 5. Highway District Offices One through Twelve.
- 14 (b) Department of Vehicle Regulation.
- 15 (c) Department of Administrative Services.
- 16 (d) Department of Aviation.
- 17 (e) Department of Intergovernmental Programs.
- 18 1. Office of Transportation Enhancement Programs.
- 19 2. Office of Rural and Secondary Roads.
- 20 (f) Office of the Secretary.
- 21 1. Office of Legislative and Intergovernmental Affairs.
- 22 2. Office of Public Affairs.
- 23 3. Office of Transportation Delivery.
- 24 4. Office for Business and Occupational Development.
- 25 5. Office of Budget and Fiscal Management.
- 26 6. Office of Legal Services.
- 27 7. Office of Inspector General.

- 1 8. Office of the Transportation Operations Center.
- 2 9. Office of Personnel Management.
- 3 5. Cabinet for Economic Development:
 - 4 (a) Office of Administration and Support.
 - 5 (b) Department for New Business Development.
 - 6 (c) Department of Financial Incentives.
 - 7 (d) Department for Existing Business Development.
 - 8 (e) ~~Department for Regional Development.~~
 - 9 (f) Tobacco Research Board.
 - 10 (g) Kentucky Economic Development Finance Authority.
 - 11 (h) Office of Research and Information Technology.
 - 12 (i) Department of ~~Innovation and~~ Commercialization **and**
 - 13 **Innovation** ~~for a Knowledge Based Economy~~.
 - 14 (j) Office of Legal Services.
 - 15 (k) Commission on Small Business Advocacy.
- 16 6. Cabinet for Health and Family Services:
 - 17 (a) Department for Public Health.
 - 18 (b) Department for Medicaid Services.
 - 19 (c) Department for Mental Health and Mental Retardation Services.
 - 20 (d) Kentucky Commission for Children with Special Health Care Needs.
 - 21 (e) Office of Certificate of Need.
 - 22 (f) Office of the Secretary.
 - 23 (g) Office of Legal Services.
 - 24 (h) Office of Inspector General.
 - 25 (i) Office of Legislative and Public Affairs.
 - 26 (j) Department for Community Based Services.
 - 27 (k) Department for Disability Determination Services.

- 1 (l) Office of the Ombudsman.
- 2 (m) Department for Human Support Services.
- 3 (n) Kentucky Commission on Community Volunteerism and Service.
- 4 (o) Office of Fiscal Services.
- 5 (p) Office of Human Resource Management.
- 6 (q) Office of Technology.
- 7 (r) Office of Contract Oversight.
- 8 7. Finance and Administration Cabinet:
- 9 (a) Office of General Counsel.
- 10 (b) Office of the Controller.
- 11 (c) Office of Administrative Services.
- 12 (d) Office of Public Information.
- 13 (e) Department for Facilities and Support Services.
- 14 (f) Department of Revenue.
- 15 (g) Commonwealth Office of Technology.
- 16 (h) State Property and Buildings Commission.
- 17 (i) Kentucky Savings Bond Authority.
- 18 (j) Office of Equal Employment Opportunity and Contract Compliance.
- 19 (k) County Officials Compensation Board.
- 20 (l) Kentucky Employees Retirement Systems.
- 21 (m) Commonwealth Credit Union.
- 22 (n) State Investment Commission.
- 23 (o) Kentucky Housing Corporation.
- 24 (p) Kentucky Local Correctional Facilities Construction Authority.
- 25 (q) Kentucky Turnpike Authority.
- 26 (r) Historic Properties Advisory Commission.
- 27 (s) Kentucky Tobacco Settlement Trust Corporation.

- 1 (t) Eastern Kentucky Exposition Center Corporation.
- 2 (u) State Board for Proprietary Education.
- 3 (v) Kentucky Higher Education Assistance Authority.
- 4 (w) Kentucky River Authority.
- 5 (x) Kentucky Teachers' Retirement System Board of Trustees.
- 6 8. Commerce Cabinet:
- 7 (a) Department of Tourism.
- 8 (1) Division of Tourism Services.
- 9 (2) Division of Marketing and Advertising.
- 10 (3) Division of Parks Marketing.
- 11 (b) Kentucky Department of Parks.
- 12 (1) Division of Information Technology.
- 13 (2) Division of Personnel and Payroll.
- 14 (3) Division of Financial Operations.
- 15 (4) Division of Facilities Management.
- 16 (5) Division of Project Administration.
- 17 (6) Division of Customer Services.
- 18 (7) Division of Recreation.
- 19 (8) Division of Golf Courses.
- 20 (9) Division of Food Services.
- 21 (10) Division of Rangers.
- 22 (11) Division of Eastern Parks.
- 23 (12) Division of Southern Parks.
- 24 (13) Division of Western Parks.
- 25 (c) Department of Fish and Wildlife Resources.
- 26 (1) Division of Law Enforcement.
- 27 (2) Division of Administrative Services.

- 1 (3) Division of Engineering.
- 2 (4) Division of Fisheries.
- 3 (5) Division of Information and Education.
- 4 (6) Division of Wildlife.
- 5 (7) Division of Public Affairs.
- 6 (d) Kentucky Horse Park.
- 7 (1) Division of Support Services.
- 8 (2) Division of Buildings and Grounds.
- 9 (3) Division of Operational Services.
- 10 (e) Kentucky State Fair Board.
- 11 (1) Division of Expositions and Admission.
- 12 (2) Division of Kentucky Fair and Exposition Center Operations.
- 13 (3) Division of Commonwealth Convention Center.
- 14 (4) Division of Public Relations and Media.
- 15 (5) Division of Administrative Services.
- 16 (6) Division of Personnel Management and Staff Development.
- 17 (7) Division of Sales.
- 18 (8) Division of Security and Traffic Control.
- 19 (f) Office of the Secretary.
- 20 (g) Office of Finance and Administration.
- 21 (h) Office of Legal Affairs.
- 22 (i) Office of Intergovernmental Affairs.
- 23 (j) Office of Human Resources.
- 24 (k) Office of Public Affairs and Constituent Services.
- 25 (l) Office of Information Technology.
- 26 (m) Office of Purchase and Procurement.
- 27 (n) Office of Creative Services.

- 1 (o) Office of Capital Plaza Operations.
- 2 (p) Office of Energy Policy.
- 3 (q) Coal Marketing and Export.
- 4 (r) Kentucky Coal Council.
- 5 (s) Kentucky Foundation for the Arts.
- 6 (t) Kentucky Humanities Council.
- 7 (u) Kentucky Heritage Council.
- 8 (v) Kentucky Arts Council.
- 9 (w) Kentucky Historical Society.
- 10 (1) Division of Museums.
- 11 (2) Division of Oral History and Educational Outreach.
- 12 (3) Division of Research and Publications.
- 13 (4) Division of Administration.
- 14 (x) Kentucky Center for the Arts.
- 15 (1) Division of Governor's School for the Arts.
- 16 (y) Kentucky Artisans Center at Berea.
- 17 9. Cabinet for Workforce Development:
- 18 (a) Department for Adult Education and Literacy.
- 19 (b) Department for Technical Education.
- 20 (c) Department of Vocational Rehabilitation.
- 21 (d) Department for the Blind.
- 22 (e) Department for Employment Services.
- 23 (f) Kentucky Technical Education Personnel Board.
- 24 (g) The Foundation for Adult Education.
- 25 (h) Department for Training and Reemployment.
- 26 (i) Office of General Counsel.
- 27 (j) Office of Communication Services.

- 1 (k) Office of Workforce Partnerships.
- 2 (l) Office of Workforce Analysis and Research.
- 3 (m) Office of Budget and Administrative Services.
- 4 (n) Office of Technology Services.
- 5 (o) Office of Quality and Human Resources.
- 6 (p) Unemployment Insurance Commission.
- 7 10. Personnel Cabinet:
- 8 (a) Office of the Secretary.
- 9 (b) Department for Personnel Administration.
- 10 (c) Office for Employee Relations.
- 11 (d) Kentucky Public Employees Deferred Compensation Authority.
- 12 (e) Office of Administrative Services.
- 13 (f) Office of Legal Services.
- 14 (g) Office of Government Training.
- 15 (h) Department for Employee Insurance.
- 16 III. Other departments headed by appointed officers:
- 17 1. Department of Military Affairs.
- 18 2. Council on Postsecondary Education.
- 19 3. Department for Local Government.
- 20 4. Kentucky Commission on Human Rights.
- 21 5. Kentucky Commission on Women.
- 22 6. Department of Veterans' Affairs.
- 23 7. Kentucky Commission on Military Affairs.
- 24 8. Education Professional Standards Board.
- 25 9. Office of Minority Empowerment.
- 26 Section 2. KRS 42.4588 is amended to read as follows:
- 27 (1) (a) ~~{There is established within the Kentucky Economic Development Finance~~

Authority—]A Local Government Economic Development Program is established to consist of a system of grants to counties to attract new industry. Grants from funds provided for in KRS 42.4592(1)(a) and (b) shall be administered by the Department for Local Government. Grants from funds provided for in KRS 42.4592(1)(c) shall be administered by the Kentucky Economic Development Finance Authority.

(b) All references in this section to the commissioner of the Department for Local Government relate only to the grants or industrial development projects funded through KRS 42.4592(1)(a) and (b). All references in this section to the Secretary of the Cabinet for Economic Development or the Kentucky Economic Development Finance Authority relate only to grants or industrial development projects funded through KRS 42.4592(1)(c).

(2) Grants obtained under this program shall be used for:

(a) Industrial development projects if an industrial firm has agreed with the local government, to the satisfaction of the Kentucky Economic Development Finance Authority or the Department for Local Government, to develop, in conjunction with the industrial development project, manufacturing, processing, assembling, or other facilities approved by the secretary of the Cabinet for Economic Development or the commissioner of the Department for Local Government;

(b) Industrial development projects if the secretary of the Cabinet for Economic Development or the commissioner of the Department for Local Government finds that the project is necessary for the creation of an environment for new industry in order to obtain an agreement from an industrial firm to develop manufacturing, processing, assembling, or other facilities approved by the secretary of the Cabinet for Economic Development or the commissioner of the Department for Local Government; and

1 (c) Debt service for industrial development projects, as defined in subsection
 2 (2)(a) and (b) of this section, or for facilities approved by the secretary of the
 3 Cabinet for Economic Development or the commissioner of the Department
 4 for Local Government under the provisions of subsection (3) of this section.

5 (3) The secretary of the Cabinet for Economic Development or the commissioner of
 6 the Department for Local Government may approve facilities, other than
 7 manufacturing, processing, or assembling facilities, for industrial development
 8 projects when the secretary or the commissioner finds that the facility will add
 9 value to a product. Value-added facilities shall include data processing,
 10 telecommunication, and distribution facilities, but shall not include retail facilities
 11 or coal mining, coal processing, or coal transportation facilities. The secretary or
 12 the commissioner may also approve privately-owned facilities for transient lodging
 13 and recreation where the secretary finds that the cost of the recreation component of
 14 the facility is equal to, or greater than, the cost of the lodging component of the
 15 facility. The criteria for approval of applications for grants provided for in
 16 paragraphs (a), (b), and (c) of subsection (10) of this section shall be paramount in
 17 the case of lodging and recreational facilities.

18 (4) Applications for grants from funds provided for in KRS 42.4592(1)(a) and (b) shall
 19 be made by the legislative bodies of one (1) or more counties with accounts in the
 20 local government economic development fund. Applications for grants from funds
 21 provided for in KRS 42.4592(1)(c) shall be made by the legislative bodies of two
 22 (2) or more counties with accounts in the local government economic development
 23 fund. No grant shall be awarded without application for a grant.

24 (5) A grant may be awarded for an industrial development project located in a county
 25 that does not have an account in the local government economic development fund,
 26 if the secretary of the Cabinet for Economic Development or the commissioner of
 27 the Department for Local Government finds that the industrial development

1 project may be reasonably expected to create jobs for residents of the local unit or
 2 units of government applying for the grant. Application for the grant shall be made
 3 by the legislative bodies of one (1) or more counties with accounts in the local
 4 government economic development fund.

5 (6) An industrial development project may include legal, accounting, engineering, and
 6 marketing expenses for a regional industrial park, in addition to the activities set
 7 forth in subsection (11)(a) of this section.

8 (7) Grants awarded from funds provided for in KRS 42.4592(1)(a) and (b) shall not
 9 exceed the total balance of the accounts of the applicant counties at the time of the
 10 award of the grant.

11 (8) Grants awarded under the provisions of subsection (2)(c) of this section may be for
 12 a period not to exceed the current biennium of the Commonwealth, and shall be
 13 limited to an amount not to exceed the amount estimated to be allocated to the
 14 applicant county or counties for the current biennium under the provisions of KRS
 15 42.4592(1)(a) and (b).

16 (9) Approval of grant applications shall be by the secretary of the Cabinet for Economic
 17 Development or the commissioner of the Department for Local Government.
 18 Award of grants from funds provided for in KRS 42.4592(1)(c) shall be by the
 19 Kentucky Economic Development Finance Authority. Award of grants from funds
 20 provided for in KRS 42.4592(1)(a) and (b) shall be by the commissioner of the
 21 Department for Local Government.

22 (10) Criteria for approval of applications and the award of grants to be considered, if
 23 applicable, shall include:

24 (a) The number of jobs to be created or preserved, directly or indirectly, by the
 25 industrial development project;

26 (b) Payrolls, and the taxes generated, both at the state and local levels, by the
 27 industrial development project and taxes generated by the employment created

- 1 or preserved by the industrial development project;
- 2 (c) The size, nature, and cost of the industrial development project, including the
3 prospect of the industrial development project providing long-term jobs in
4 enterprises consistent with the changing economies of the affected local units
5 of government;
- 6 (d) The needs, and degree of needs, of the local units of government which will
7 be affected by the industrial development project;
- 8 (e) The needs of any industrial firm benefiting from the industrial development
9 project;
- 10 (f) The amount and kind of assistance, if any, available to an industrial firm from
11 other government agencies through tax exemption or abatement, financing
12 assistance through industrial development bonds, and otherwise, with respect
13 to the industrial development project;
- 14 (g) The amount of capital made available to the facility by lenders and by the
15 industrial firm; and
- 16 (h) The economic feasibility of the facility.
- 17 (11) For purposes of this section:
- 18 (a) "Industrial development project" includes the acquisition of any real estate and
19 the construction, acquisition, and installation thereon and with respect thereto
20 of improvements and facilities necessary and useful for the improvement of
21 the real estate for conveyance to or lease to industrial firms to be used for
22 manufacturing, processing, or assembling purposes, including surveys; site
23 tests and inspections; subsurface site work; excavation, removal of structures,
24 roadways, cemeteries, and other surface obstructions; filling, grading, and
25 provision of drainage; storm water retention; installation of utilities, such as
26 water, sewer, sewage treatment, gas, electricity, communication, and other
27 similar facilities; off-site construction of utility extensions to the boundaries

1 of the real estate; construction and installation on the real estate of the
 2 industrial firm of buildings, including buildings to be used for worker training
 3 and education; rail facilities; roads; sidewalks; curbs; other improvements to
 4 the real estate necessary to its manufacturing, processing, assembling, or other
 5 approved use by industrial entities; workforce training; and job development
 6 incentive grants;

7 (b) "Industrial firm" means any corporation, limited liability company, limited
 8 liability partnership, partnership, person, or other legal entity, whether
 9 domestic or foreign, which will itself or through its subsidiaries and affiliates
 10 construct and develop a manufacturing, processing, assembling, or other
 11 approved facility on the site of an industrial development project financed
 12 pursuant to this section;

13 (c) "Job development incentive grant" means an award to a county of funds from
 14 its account administered by the Department for Local Government ~~Kentucky~~
 15 ~~Economic Development Finance Authority~~ pursuant to KRS 42.4592(1)(a)
 16 and (b) for the use by the county to encourage job development for those
 17 industrial development projects located in that county which create at least
 18 twenty-five (25) new full-time jobs held by Kentucky residents who receive a
 19 minimum wage of at least one hundred thirty percent (130%) of the federal
 20 minimum wage. Each job development incentive grant shall be limited to five
 21 thousand dollars (\$5,000) for each job created which fulfills the requirements
 22 of this subsection. The industrial firm receiving the job development incentive
 23 grant shall pay its employees at the project site an average wage equal to or
 24 greater than one hundred fifty percent (150%) of the federal minimum wage
 25 and shall invest at least ten thousand dollars (\$10,000) per new job created.
 26 After a fiscal court has received authorization for the job development grant
 27 by the Department for Local Government ~~Kentucky Economic Development~~

1 ~~Finance Authority~~], the county, the industrial firm, and the Department for
 2 Local Government~~[Kentucky Economic Development Finance Authority]~~
 3 shall enter into an agreement committing the grant funds to be disbursed at
 4 such time as the industrial firm certifies the authenticity of the following
 5 information to be delivered to the county:

- 6 1. The industrial firm has made at least the minimum investment required;
- 7 2. At least twenty-five (25) new full-time Kentucky jobs have been created
 8 at the project site by the industrial firm;
- 9 3. No employee at the project site is paid a salary by the industrial firm
 10 which is less than one hundred thirty percent (130%) of the federal
 11 minimum wage;
- 12 4. The employees at the project site are paid an average wage by the
 13 industrial firm at least equal to one hundred fifty percent (150%) of the
 14 federal minimum wage;
- 15 5. Each employee hired for the project by the industrial firm shall have
 16 worked on a full-time basis at the minimum wages described in this
 17 section at least twelve (12) full consecutive months at the site prior to
 18 any grant funds disbursement; and
- 19 6. No job created by the industrial firm after twenty-four (24) months from
 20 the date of the first eligible hire at the project site shall be considered for
 21 the grant.

22 If the county is satisfied the information provided is accurate and qualifies the
 23 industrial firm for the job development incentive grant as described in the
 24 agreement, it shall forward the certified information to the Department for
 25 Local Government~~[Coal County Development, Cabinet for Economic~~
 26 ~~Development]~~ which shall make the job development grant disbursement
 27 upon sufficient evidence that all terms of the agreement have been met; and

1 (d) "Regional industrial park" means an industrial development project authorized
 2 for a grant award by the Kentucky Economic Development Finance Authority
 3 for a minimum of three (3) counties eligible for grant funds provided for in
 4 KRS 42.4592(1)(c), which coalition may include a county as approved under
 5 subsection (5) of this section.

6 (12) Findings by the secretary of the Cabinet for Economic Development or the
 7 commissioner of the Department for Local Government, provided for in
 8 subsections (2)(b), (3), and (5) of this section, shall be made in writing to the
 9 affected counties, the Governor, and the Legislative Research Commission.

10 (13) By October 1 of each odd-numbered year, the secretary of the Cabinet for Economic
 11 Development and the commissioner of the Department for Local Government
 12 shall each provide, in writing, to the Governor and the Legislative Research
 13 Commission a listing of all applications for grants received pursuant to this section
 14 subsequent to the last report, indicating which applications were approved or
 15 disapproved, with the reason for disapproval when the decision was to disapprove,
 16 and a listing of all grants awarded, with the amount of the award, the recipient
 17 county, and the related industrial development project.

18 Section 3. KRS 42.4595 is amended to read as follows:

19 The Department for Local Government may promulgate administrative regulations to
 20 implement the provisions of KRS 42.4582, 42.4585, ~~[-or]~~ 42.4592, and Section 2 of this
 21 Act as it relates to KRS 42.4592(1)(a) and (b). The Cabinet for Economic Development
 22 or the Kentucky Economic Development Finance Authority may promulgate
 23 administrative regulations to implement the provisions of KRS 42.4588 as it relates to
 24 KRS 42.4592(1)(c).

25 Section 4. KRS 42.460 is amended to read as follows:

26 Except as provided in subsection (4)(b) of KRS 91A.040, any assistance granted under
 27 KRS 42.450 to 42.495 shall include an agreement that an independent annual audit shall

be conducted and that the audit report shall include a certification that the funds were expended for the purpose intended. A copy of the audit and certification of compliance shall be forwarded to the Department for Local Government, in the case of assistance granted from the local government economic assistance fund or the local government economic development fund as allocated in KRS 42.4592(1)(a) and (b), or to the Cabinet for Economic Development and the Kentucky Economic Development Finance Authority, in the case of assistance granted from the local government economic development fund, within eighteen (18) months after the end of the fiscal year.

Section 5. KRS 154.12-225 is amended to read as follows:

(1) There is created within the Cabinet for Economic Development the Department for New Business Development. The department shall be headed by a commissioner appointed by the Governor pursuant to KRS 12.040. The department shall coordinate the recruitment of industries that will enhance the overall viability of Kentucky's economy.

(2) The Department for New Business Development shall include the Industrial Development Division, which shall be headed by a director appointed by the secretary pursuant to KRS 12.050.

(3) Kentucky's representative development offices located in other states and countries shall be assigned to the Department for New Business Development.

(4) The Department for New Business Development shall:

(a) Administer all coal severance funded programs administered by the Cabinet for Economic Development, including the Local Government Economic Development Program as set forth in Section 2 of this Act;

(b) Develop new programs and identify opportunities to help diversify local economies by creating an environment more conducive to business activity;
and

(c) Administer all other programs, funds, obligations, and activities

administered by the Department for Regional Development prior to the effective date of this Act.

Section 6. KRS 154.12-278 is amended to read as follows:

- (1) As used in this section, "cluster" and "knowledge-based" shall have the same meaning as in KRS 164.6011.
- (2) There is established the Department off~~Innovation and~~ Commercialization and Innovation~~[for a Knowledge Based Economy]~~ in the Cabinet for Economic Development. The department shall be headed by a commissioner appointed by the Governor under KRS 12.040.
- (3) The duties of the Department off~~Innovation and~~ Commercialization and Innovation~~[for a Knowledge Based Economy]~~ shall include but not be limited to:
 - (a) Implement the Kentucky Innovation and Commercialization Center Program as set forth in KRS 154.12-300 to 154.12-315;
 - (b) Monitor the return on investments and effectiveness of the Kentucky Innovation Act initiatives as set forth in the Strategic Plan for the New Economy as approved by the Kentucky Innovation Commission, January 7, 2002, or as revised, and report annually prior to November 1 to the Kentucky Innovation Commission, the Governor, and the General Assembly;
 - (c) Oversee the modernization initiative in KRS 154.12-274;
 - (d) Assist the cabinet in the recruitment of research and development companies;
 - (e) Assist the cabinet in the attraction of high-technology research and development centers;
 - (f) Support growth and creation of knowledge-based, innovative companies;
 - (g) Build the infrastructure for the new economy businesses and promote networks of technology-driven clusters and research intensive industries;
 - (h) Administer the high-tech construction pool and the high-tech investment pool;
 - (i) Recommend projects to the Kentucky Economic Development Finance

1 Authority for funding through the high-tech construction pool and high-tech
2 investment pool; and

3 (j) Review and approve the annual plan which details the annual allocation of
4 funds from the Science and Technology Funding Program, prior to the
5 Council on Postsecondary Education executing a contract with the science and
6 technology organization to administer science and technology funding
7 programs. As used in this paragraph, the Science and Technology Funding
8 Program means the Kentucky Rural Innovation Program, the Kentucky
9 Research and Development Voucher Program, the Kentucky
10 Commercialization Program, The Regional Technology
11 Corporations/Innovation and Commercialization Center Satellites, and the
12 Experimental Program to Stimulate Competitive Research/Kentucky Science
13 and Engineering Foundation.

14 (4) The high-tech construction pool shall be used for projects with a special emphasis
15 on the creation of high-technology jobs and knowledge-based companies. The
16 commissioner, in administering the high-tech construction pool, shall recommend
17 distribution of funds and projects to the Kentucky Economic Development Finance
18 Authority for its approval. The commissioner shall recommend any designated
19 amount of pool funds to be set aside for any match requirements. Any funds used
20 for matching purposes may include public and private funds.

21 (5) The high-tech investment pool shall be used to build and promote technology-
22 driven industries and research-intensive industries, as well as their related suppliers,
23 with the goal of creating clusters of innovation-driven industries in Kentucky. The
24 commissioner, in administering the high-tech investment pool, shall be authorized
25 to recommend funds to be used to support loans and grants, or to secure an equity or
26 related position.

27 (6) The Kentucky Economic Development Finance Authority shall assure in their

1 approval of funding of projects that the highest priority is given to knowledge-based
 2 companies in fulfillment of the purposes and intentions of the purposes of this
 3 section.

4 Section 7. KRS 154.12-300 is amended to read as follows:

5 As used in KRS 154.12-300 to 154.12-315, unless the context indicates otherwise:

- 6 (1) "Affiliate" means an ICC identified as the headquarters for program activity in a
 7 region or subregion;
- 8 (2) "Commissioner" means the commissioner of the Department of ~~Innovation and~~
 9 Commercialization and Innovation ~~[for a Knowledge Based Economy]~~ established
 10 in KRS 154.12-278;
- 11 (3) "ICC" means the Kentucky Innovation and Commercialization Center;
- 12 (4) "Region" means a geographic area of Kentucky designated as having a unique
 13 innovation strategic plan by the Department of ~~Innovation and~~ Commercialization
 14 and Innovation ~~[for a Knowledge Based Economy]~~; and
- 15 (5) "Satellite" means an office of an affiliate in a region.

16 Section 8. KRS 154.12-305 is amended to read as follows:

- 17 (1) There is established the Kentucky Innovation and Commercialization Center
 18 Program within the Department of ~~Innovation and~~ Commercialization and
 19 Innovation ~~[for a Knowledge Based Economy]~~. The goal of the ICC program is to
 20 create products, new companies, and value-added jobs in communities throughout
 21 the Commonwealth. Strategies to achieve this goal include:
 - 22 (a) Increasing quality deal flow of technology-based firms in Kentucky;
 - 23 (b) Increasing understanding of start-up process and investment practices; and
 - 24 (c) Providing value-added services to the start-up and investment community.
- 25 (2) The duties of the ICC program shall include but not be limited to:
 - 26 (a) Identifying and linking entrepreneurs, faculty, scientists, venture capitalists,
 27 and other key individuals from the business sector, universities, community

- 1 and technical colleges, local leaders, and government for the creation and
- 2 expansion of knowledge-based companies;
- 3 (b) Establishing a uniform protocol for assembling and communicating project
- 4 concepts and opportunities;
- 5 (c) Supporting high-quality projects through the concept and development phases
- 6 including services such as market research, prototype development, business
- 7 plan and strategies development, grant and contract capabilities, and capital
- 8 and management resource identification; and
- 9 (d) Identifying, in the area of technology development, potential partners,
- 10 strategic opportunities, training and educational needs, and issues that inhibit
- 11 the growth of technology sectors and business clusters in the state.

12 Section 9. KRS 154.20-254 is amended to read as follows:

13 As used in KRS 154.20-250 to 154.20-284, unless the context clearly requires otherwise:

- 14 (1) "Affiliate" means any person or entity who directly or indirectly, through one (1) or
- 15 more intermediaries, controls or is controlled by or is under common control with
- 16 another person or entity;
- 17 (2) "Agreement" means an investment fund agreement entered into pursuant to KRS
- 18 154.20-255(5) by the authority and an investment fund manager on behalf of the
- 19 investment fund, the investment fund manager, and any investor in the investment
- 20 fund;
- 21 (3) "Amended application" means a document submitted by an investment fund
- 22 manager, in a form acceptable to the authority and on behalf of an investment fund,
- 23 for the purpose of increasing the aggregate amount of available tax credits;
- 24 (4) "Applicant" means any person or entity who has not received approval from the
- 25 authority as an investment fund manager, but who has submitted or will submit an
- 26 application to the authority for approval as an investment fund manager;
- 27 (5) "Authority" means the Kentucky Economic Development Finance Authority or its

- 1 designee;
- 2 (6) "Cash contribution" means an investment of money by an investor in an investment
3 fund under the terms of KRS 154.20-250 to 154.20-284;
- 4 (7) "Committed cash contribution" means a legally binding agreement by an investor to
5 make a cash contribution in an amount set forth in a written agreement between an
6 investor and an investment fund;
- 7 (8) "Commonwealth" means the Commonwealth of Kentucky;
- 8 (9) "Credit" means a nonrefundable credit for investors against state tax liability
9 allocated and granted by the authority pursuant to KRS 154.20-258 for qualified
10 investments made by approved investment funds;
- 11 (10) "Entity" means any corporation, limited liability company, business development
12 corporation, partnership, limited partnership, registered limited liability partnership,
13 sole proprietorship, association, joint stock company, receivership, trust,
14 professional service organization, or other legal entity through which business is
15 conducted;
- 16 (11) "Financial institution" means "financial institution" as defined in KRS 136.500(10)
17 and includes savings and loan associations, savings banks, and similar institutions
18 subject to the taxes imposed by KRS 136.290, 136.300, or 136.310;
- 19 (12) "Insurance company" means any insurance company subject to the taxes imposed by
20 KRS 136.320, 136.330, or 304.3-270;
- 21 (13) "Investment fund" means any entity that is organized by an investment fund
22 manager in compliance with applicable state and federal securities laws and
23 regulations, and is approved by the authority to make qualified investments
24 pursuant to KRS 154.20-256;
- 25 (14) "Investment fund manager" means any person or entity that has been approved by
26 the authority to manage one (1) or more investment funds authorized under the
27 provisions of KRS 154.20-250 to 154.20-284 and is in compliance with all

1 applicable federal and state regulations;

2 (15) "Investor" means any person or entity, including financial institutions and insurance
3 companies, that is subject to state tax liability and that makes a cash contribution or
4 a committed cash contribution to an investment fund in accordance with the
5 provisions of KRS 154.20-250 to 154.20-284 and has not been convicted of
6 violating any of Kentucky's tax laws within the past ten (10) years;

7 (16) "Nonprofit entity" means an investor that is exempt from federal income tax under
8 Section 501(c) of the Internal Revenue Code of 1986, as amended;

9 (17) "Qualified activity" means any industrial, manufacturing, mining, mining
10 reclamation for economic development, commercial, health care, agricultural
11 enterprise, or agribusiness activity. A "qualified activity" does not include any
12 activity principally engaged in by financial institutions, commercial development
13 companies, credit companies, financial or investment advisors, brokerage or
14 financial firms, other investment funds or investment fund managers, charitable and
15 religious institutions, oil and gas exploration companies, insurance companies,
16 residential housing developers, retail establishments, or any activity that the
17 authority determines in its discretion to be against the public interest, against the
18 purposes of KRS 154.20-250 to 154.20-284, or in violation of any law;

19 (18) "Qualified investment" means an investment of money in a small business by an
20 investment fund, in compliance with applicable state and federal securities laws and
21 regulations, seeking a financial return based upon that consideration. In
22 consideration for the qualified investment, the investment fund shall receive an
23 equity interest in the small business, such as a general or limited partnership
24 interest, common or preferred stock with or without voting rights and without
25 regard to seniority position, forms of subordinate or convertible unsecured debt, or
26 both, with warrants, rights, or other means of equity conversion attached; and

27 (19) "Small business" means any entity which at the time a qualified investment is made

1 by an investment fund:

- 2 (a) 1. Has a net worth of five million dollars (\$5,000,000) or less or net
3 income after federal income taxes for each of the two (2) preceding
4 fiscal years of three million dollars (\$3,000,000) or less; or
- 5 2. Is a knowledge-based business, as shall be prescribed by the
6 commissioner of the Department of ~~Innovation and~~ Commercialization
7 and Innovation ~~[for a Knowledge Based Economy]~~, and has a net worth
8 of ten million dollars (\$10,000,000) or less;
- 9 (b) Is actively and principally engaged in a qualified activity within the
10 Commonwealth, or will be actively and principally engaged in a qualified
11 activity within the Commonwealth after the receipt of a qualified investment
12 by an investment fund;
- 13 (c) Has no more than one hundred (100) employees; and
- 14 (d) Has more than fifty percent (50%) of its assets, operations, and employees
15 located in Kentucky.

16 Section 10. KRS 164.6015 is amended to read as follows:

- 17 (1) There is established the Kentucky Innovation Commission, as an independent
18 advisory commission, consisting of fifteen (15) members as follows:
 - 19 (a) The Governor or designee;
 - 20 (b) The secretary of the Governor's Executive Cabinet or designee;
 - 21 (c) The secretary of the Cabinet for Economic Development or designee;
 - 22 (d) The president of the Council on Postsecondary Education or designee;
 - 23 (e) The state budget director or designee;
 - 24 (f) The Speaker of the House or designee;
 - 25 (g) The President of the Senate or designee; and
 - 26 (h) Eight (8) at-large members appointed by the Governor as follows:
 - 27 1. Four (4) members of the private sector possessing extensive experience

- 1 and expertise relating to managing a high-technology business or
2 engaging in an innovation-driven, knowledge-based enterprise;
- 3 2. One (1) member engaged in the business of venture capital;
- 4 3. One (1) member of the private sector possessing extensive experience
5 and expertise relating to providing or supporting communications
6 infrastructure; and
- 7 4. Two (2) members who are engineers or scientists recognized for their
8 scientific or technological research efforts, or educators with an interest
9 or background in teaching students to become highly skilled workers or
10 entrepreneurs.
- 11 (2) The eight (8) at-large members shall serve terms of four (4) years, except that the
12 original appointments shall be staggered so that two (2) appointments shall expire at
13 two (2) years, three (3) appointments shall expire at three (3) years, and three (3)
14 appointments shall expire at four (4) years from the dates of initial appointment.
- 15 (3) The commission shall meet quarterly and at other times upon call by the chair.
- 16 (4) Eight (8) members shall constitute a quorum for conducting business.
- 17 (5) Members shall receive no compensation except that the at-large members shall be
18 reimbursed for actual and necessary travel expenses for attending meetings and
19 performing other official functions, consistent with state reimbursement policy for
20 state employees.
- 21 (6) Vacancies shall be filled in the same manner as the original appointment.
- 22 (7) The chair and vice chair of the commission shall be appointed by the Governor.
- 23 (8) The commission shall provide ongoing advice, direction, and policy
24 recommendations to the Governor and the General Assembly relating to the status
25 of Kentucky knowledge-driven businesses, research and development initiatives,
26 and related high-skill training and education in the Commonwealth.
- 27 (9) The duties and responsibilities of the commission shall be to:

1 (a) Promote the cooperation of private and public entities that have the purpose
2 and duty of advancing the knowledge-based economy in the Commonwealth
3 through technological innovation and knowledge transfer;

4 (b) Report on the progress the Commonwealth has made annually toward
5 achieving the goals in KRS 164.6013 through its agreed-upon benchmarks. In
6 the setting of benchmarks the commission shall consider performance
7 indicators recommended by public and private experts in and outside of the
8 state in the fields of research and development and economic development, for
9 the purpose of recommending benchmarks. Experts in this state shall include
10 but not be limited to representatives from the universities undertaking research
11 and development activities, representatives of the Kentucky Science and
12 Technology Corporation, representatives of targeted technology sectors,
13 representatives of the Cabinet for Economic Development, and representatives
14 of other state agencies having economic development and information
15 technology responsibilities. Outside state experts shall include nationally
16 recognized independent reviewers to assess the competitiveness of technology
17 sectors in this state and the impact of research and development activities on
18 economic development in the Commonwealth. Quantitative and qualitative
19 indicators may include but are not limited to the following:

- 20 1. Kentucky companies modernizing to become more technologically
21 innovative and globally competitive;
- 22 2. Research and development initiatives undertaken at Kentucky
23 universities with federal, state, or private funds;
- 24 3. Educational attainment in areas that support the workforce needs of
25 information technology and high-growth knowledge industries;
- 26 4. High-technology sectors and companies moving to and operating in the
27 state;

- 1 5. Patents filed for technology or knowledge-based commercial products,
- 2 processes, or services;
- 3 6. Businesses using electronic commerce and the communications
- 4 infrastructure access capacity for Kentucky businesses;
- 5 7. Growth in corporate headquarters, research and development centers,
- 6 high-income employees, and clustering of related technology industries
- 7 and suppliers; and
- 8 8. Monitoring reports indicating progress made by the Kentucky
- 9 Innovation Act investments as reported by the Department of
- 10 ~~Innovation and~~ Commercialization and Innovation~~[for a Knowledge~~
- 11 ~~Based Economy]~~ and the Council on Postsecondary Education;
- 12 (c) Operate as a common strategic umbrella to advocate for the use of federal,
- 13 state, local government, and private sector funds to create research and
- 14 development projects, modernize manufacturing facilities, and promote
- 15 knowledge-based, technology sectors and companies in the Commonwealth;
- 16 and
- 17 (d) Report to the Governor and to the General Assembly annually on performance
- 18 indicators, recommending benchmarks for measuring progress toward the
- 19 advancement of the knowledge-based economy, technological innovation, and
- 20 knowledge transfer, and reporting on the programs and initiatives set forth in
- 21 KRS 164.6019 to 164.6041, 154.12-274, 154.12-278, and KRS 154.12-300 to
- 22 154.12-315.

- 23 (10) The support staff for the commission shall be from the office of the state budget
- 24 director.

25 Section 11. KRS 164.6017 is amended to read as follows:

- 26 (1) The Council on Postsecondary Education shall have all the powers and authority,
- 27 not explicitly prohibited by statute, necessary and convenient to carry out and

1 effectuate the purposes of KRS 164.6019 to 164.6041, including but not limited to:

- 2 (a) Entering into contracts or agreements necessary or incidental to the
3 performance of its duties, functions, and responsibilities; and
- 4 (b) Soliciting, borrowing, accepting, receiving, and expending funds from any
5 public or private source, including but not limited to general fund
6 appropriations of the Commonwealth, grants or contributions of money,
7 property, labor, or other things of value to be used to carry out the programs'
8 operations, functions, and responsibilities; and
- 9 (c) Notwithstanding the provisions in paragraph (a) of this subsection, the
10 commissioner of the Department of ~~Innovation and~~ Commercialization and
11 Innovation ~~[for a Knowledge Based Economy]~~ shall approve the contracts
12 issued by the Council on Postsecondary Education regarding the structure of
13 programs and funding levels in those programs administered by a science and
14 technology organization and created in KRS 154.12-320, 164.6021, 164.6029,
15 and 164.6037.

16 (2) The council may expend money in the funds created in KRS 164.6019, 164.6027,
17 and 164.6035 for reasonable administrative expenses directly incurred in carrying
18 out the requirements of KRS 164.6019 to 164.6041. It is the intent of the General
19 Assembly that the funds created in KRS 164.6019, 164.6027, and 164.6035 be used,
20 to the fullest extent possible, to directly fund project costs. It is also the intent of the
21 General Assembly that the first priority of expenditures of any excess revenues
22 generated from the funds created in KRS 164.6019, 164.6027, and 164.6035 is to
23 replenish general fund appropriations for those same purposes.

24 (3) The council shall contract with a science and technology organization to administer
25 the programs created in KRS 164.6021, 164.6029, and 164.6037. The council shall
26 approve the application criteria, the process for submission of an application, and
27 the structure and type of outside expertise or peer review used in the application

1 review process in the programs created in KRS 164.6021, 164.6029, and 164.6037.

2 (4) No member of the council or the science and technology organization or other
3 administering entity, or their employees or outside experts or their immediate family
4 members, shall directly or indirectly financially benefit in any award, contract, or
5 agreement under the programs.

6 (5) The council shall submit an annual report prior to October 15 to the Kentucky
7 Innovation Commission, the Governor, and the General Assembly detailing its work
8 related to the programs created in KRS 164.6021, 164.6029, and 164.6037. The
9 annual report shall be coordinated with the monitoring report by the Department of
10 ~~Innovation and~~ Commercialization and Innovation~~[for a Knowledge Based~~
11 ~~Economy]~~ indicating progress made through investments, and shall include but not
12 be limited to reporting on the progress made in achieving each program's purposes,
13 qualitative and quantitative information concerning the applications received,
14 projects approved and undertaken, companies served, and funding amounts invested
15 in each project or program, as appropriate, and findings and recommendations to
16 increase each program's effectiveness in achieving its purposes.

17 (6) All records related to the administration of the programs created in KRS 164.6021,
18 164.6029, and 164.6037 shall be deemed property of the council and shall be
19 deemed open records and subject to public inspection under KRS 61.870 to 61.884.
20 Any research that involves or is a patent, trade secret, or other legally protectable
21 interest shall be exempt from inspection until such time as the intellectual property
22 rights have been fully protected.

23 Section 12. KRS 216.265 is amended to read as follows:

24 (1) The Kentucky e-Health Network Board is created and is attached to the Cabinet for
25 Health and Family Services for administrative and technical support purposes.

26 (2) The board shall consist of the following voting members:

27 (a) President, or a designee, of the University of Kentucky, who shall serve as co-

1 chair of the board;

2 (b) President, or a designee, of the University of Louisville, who shall serve as co-
3 chair of the board;

4 (c) Commissioner, or a designee, of the Department for Public Health;

5 (d) Commissioner, or a designee, of the Department for Medicaid Services;

6 (e) Executive director, or a designee, of the Commonwealth Office of
7 Technology; and

8 (f) Nine (9) at-large members appointed by the Governor as follows:

- 9 1. One (1) member engaged in the business of large-scale e-strategy and
10 computer information technology;
- 11 2. One (1) member engaged in the business of health insurance who is
12 employed by a company that has its headquarters in Kentucky;
- 13 3. Two (2) members from a list of four (4) individuals recommended by
14 the Kentucky Hospital Association, one (1) representing rural hospitals,
15 and one (1) representing urban hospitals;
- 16 4. Two (2) physicians actively engaged in the practice of medicine in the
17 Commonwealth from a list of four (4) physicians recommended by the
18 Kentucky Medical Association, or self-nominated;
- 19 5. One (1) member from a company with at least one thousand (1,000)
20 employees selected from a list of four (4) individuals submitted by the
21 Associated Industries of Kentucky;
- 22 6. One (1) member with experience as a physician practice manager; and
- 23 7. One (1) member at large.

24 (3) The board shall consist of the following ex officio members who may vote, but
25 shall not be counted toward a quorum:

26 (a) Commissioner, or a designee, of the Department of ~~Innovation and~~
27 Commercialization **and Innovation** ~~for a Knowledge Based Economy~~];

- 1 (b) President, or a designee, of the Council on Postsecondary Education;
- 2 (c) Secretary, or a designee, of the Cabinet for Health and Family Services;
- 3 (d) Executive director, or a designee, of the Office of Insurance;
- 4 (e) Two (2) members of the Senate who are members of the Interim Joint
- 5 Committee on Health and Welfare or the Interim Joint Committee on Banking
- 6 and Insurance, appointed by the President of the Senate; and
- 7 (f) Two (2) members of the House of Representatives who are members of the
- 8 Interim Joint Committee on Health and Welfare or the Interim Joint
- 9 Committee on Banking and Insurance, appointed by the Speaker of the House.
- 10 (4) Members of the board shall serve a term of four (4) years and may serve two (2)
- 11 consecutive terms.
- 12 (5) At the end of a term, a member of the board shall continue to serve until a successor
- 13 is appointed. A member who is appointed after a term has begun shall serve the rest
- 14 of the term and until a successor is appointed. A member of the board who serves
- 15 two (2) consecutive full four (4) year terms shall not be reappointed for four (4)
- 16 years after completion of those terms. Members designated in subsection (2)(a) to
- 17 (e) of this section and members designated in subsection (3) of this section shall
- 18 serve on the board only while holding their respective titles.
- 19 (6) A majority of the full membership of the board shall constitute a quorum.
- 20 (7) The board may employ staff or contract with consultants necessary for the
- 21 performance of the duties of the board, subject to the appropriation of funds.
- 22 (8) No member of the board shall be subject to any personal liability or accountability
- 23 for any loss sustained or damage suffered on account of any action or inaction of the
- 24 board.
- 25 (9) Members of the board and all committees, except the advisory group created in
- 26 KRS 216.267(2), shall be entitled to reimbursement for actual and necessary
- 27 expenses when carrying out official duties of the board in accordance with state

1 administrative regulations relating to travel reimbursements. The board shall meet
2 at least monthly.

3 (10) The board may appoint committees or subcommittees with the charge of
4 investigating and making recommendations to the board on specific aspects of the
5 Ke-HN, including but not limited to evidence-based clinical decision support,
6 security of protected information, electronic data interchange, and clinical practice
7 software packages, including the feasibility of developing a software purchasing
8 alliance to decrease the cost of software and tax incentives to encourage members of
9 the network to purchase software deemed by the board to meet the standards of
10 KRS 216.267. The board may appoint the following committees:

- 11 (a) Clinical Decision Support Committee;
- 12 (b) Privacy and Security of Protected Health Information Committee;
- 13 (c) Electronic Data Interchange Committee; and
- 14 (d) Clinical Software Review Committee.

15 (11) The members of committees or subcommittees appointed by the board do not need
16 to be members of the board. The chairs of committees or subcommittees shall be
17 appointed by the board. The frequency of committee or subcommittee meetings
18 shall be established by the board.

19 (12) The Clinical Decision Support Committee membership shall include at least the
20 following members:

- 21 (a) One (1) physician with expertise in health informatics;
- 22 (b) Two (2) physicians actively engaged in the practice of medicine in this
23 Commonwealth from a list of four (4) physicians recommended by the
24 Kentucky Medical Association, or self-nominated;
- 25 (c) One (1) representative of a rural hospital and one (1) representative of an
26 urban hospital;
- 27 (d) One (1) pharmacist;

1 (e) One (1) representative engaged in the business of health care information
2 technology;

3 (f) Two (2) members with experience as physician practice managers, one (1)
4 from a single-physician practice and one (1) from a multiphysician practice;
5 and

6 (g) One (1) member engaged in the business of health insurance who is
7 recommended by the Kentucky Association of Health Plans, Incorporated.

8 (13) The Privacy and Security of Protected Health Information Committee shall include
9 at least the following members:

10 (a) One (1) physician actively engaged in the practice of medicine in this
11 Commonwealth;

12 (b) Two (2) members with expertise in HIPAA regulations;

13 (c) Two (2) members engaged in the business of large-scale e-strategy and
14 computer information technology;

15 (d) One (1) member who serves as a computer information officer within the
16 health care industry;

17 (e) Two (2) members with experience as physician practice managers, one (1)
18 from a single-physician practice and one (1) from a multiphysician practice;

19 (f) One (1) member engaged in the business of health insurance who is
20 recommended by the Kentucky Association of Health Plans, Incorporated; and

21 (g) One (1) representative of a hospital.

22 (14) The Electronic Data Interchange Committee shall include at least the following
23 members:

24 (a) Two (2) members engaged in the business of large-scale e-strategy and
25 computer information technology;

26 (b) Two (2) members engaged in the business of health insurance who are
27 recommended by the Kentucky Association of Health Plans, Incorporated;

- 1 (c) Chief information officer, or a designee, of the Office of Technology within
- 2 the Cabinet for Health and Family Services;
- 3 (d) Two (2) members with experience as physician practice managers, one (1)
- 4 from a single-physician practice and one (1) from a multiphysician practice;
- 5 and
- 6 (e) One (1) representative of a hospital.

7 (15) The Clinical Software Review Committee shall include at least the following
8 members:

- 9 (a) One (1) member from a company that develops computer software for
- 10 physician practices;
- 11 (b) One (1) member engaged in the business of large-scale e-strategy and
- 12 computer information technology;
- 13 (c) Three (3) physicians, with one (1) having experience in electronic information
- 14 technology;
- 15 (d) Two (2) members with experience as physician practice managers, one (1)
- 16 from a single-physician practice and one (1) from a multiphysician practice;
- 17 (e) One (1) member engaged in the business of health insurance who is
- 18 recommended by the Kentucky Association of Health Plans, Incorporated or
- 19 employed by a company which has its headquarters in Kentucky; and
- 20 (f) One (1) representative of a hospital.

21 (16) The Governor of the Commonwealth of Kentucky may reorganize the Kentucky e-
22 Health Network Board to include the Kentucky Telehealth Board and to reorganize
23 the Telehealth Board under the Cabinet for Health and Family Services. If the
24 Governor deems it appropriate, the reorganization shall create a new Telehealth
25 Committee of the Ke-HN board with the membership and responsibilities as
26 described under KRS 11.550 and shall be subject to confirmation by the General
27 Assembly under the requirements of KRS 12.028.

1 Section 13. KRS 216.267 is amended to read as follows:

2 (1) The duties and responsibilities of the board shall be to implement and oversee the
3 operation of an electronic health network in this Commonwealth, to be known as
4 the Ke-HN.

5 (2) The board shall:

6 (a) Exercise all of the administrative functions of the board;

7 (b) Appoint an advisory group that shall meet at least quarterly for the purpose of
8 collaborating with health care providers and payors, computer technology
9 companies, telecommunication companies, and other affected entities to
10 ensure input into the implementation of the Ke-HN;

11 (c) Review models for an electronic health network;

12 (d) Oversee the development of comparative business cases for the models
13 reviewed and choose a model to be implemented in this Commonwealth. In
14 selecting a model for implementation, the board shall consider the following
15 elements:

16 1. Various models and configurations for Ke-HN, either as developed from
17 the board's research or as recommended by public and private experts.
18 Each model or configuration shall be capable of supporting
19 administrative and clinical functions listed in subsection (4) of this
20 section, including the capability to integrate with an electronic Medicaid
21 management information system, provide immediate health alerts to
22 health care providers across the state, and support health care provider
23 education related to the identification and treatment of rare and unusual
24 diseases. The model chosen may be implemented in phases, as
25 determined by the board;

26 2. Projected costs of the network, indicating those which would be
27 allocated to state government, health care providers, insurers, or others;

- 1 3. Options for financing the start-up, administrative, and maintenance
- 2 costs, projected returns on investments, a timetable for realizing those
- 3 returns, and any proposed subscription or transaction fees associated
- 4 with the Ke-HN;
- 5 4. Procedures intended to secure protected health information in
- 6 accordance with HIPAA;
- 7 5. Timetables for implementation of the Ke-HN, whether as a fully
- 8 established network, in phases, or through the use of a pilot project or
- 9 regional approach to the Ke-HN;
- 10 6. Suggested incentives to promote the use of Ke-HN by health care
- 11 providers and payors, and the Medicaid program; and
- 12 7. Incentives, including but not limited to tax credits, low-interest loans,
- 13 and grants, under Subchapters 22, 23, 24, 26, and 28 of KRS Chapter
- 14 154 for a company that develops or manufactures software necessary for
- 15 the development of the Ke-HN, if the company meets all the eligibility
- 16 requirements under the respective subchapter in KRS Chapter 154;
- 17 (e) Receive comments from the advisory group created in paragraph (b) of this
- 18 subsection;
- 19 (f) Submit a description of the model chosen for implementation to the
- 20 Legislative Research Commission for the opportunity for any comments;
- 21 (g) If state funds are required for implementation of the model chosen, seek
- 22 funding through the appropriations process;
- 23 (h) Oversee the implementation of the model chosen subject to the appropriation
- 24 of funds. Oversight shall include the following:
- 25 1. Developing any central interchange, including any central server and
- 26 software;
- 27 2. Developing the Ke-HN of providers and payors who participate in the

- 1 network, which shall be on a voluntary basis;
- 2 3. Making recommendations regarding the features and functions which
- 3 shall be included in the distributed components of the network; and
- 4 4. Performing an outcomes assessment of the benefits achieved by the
- 5 network;
- 6 (i) Identify and adopt standards for all computer systems communicating with the
- 7 Ke-HN, including but not limited to:
 - 8 1. The HIPAA standards for electronic transactions as the federal
 - 9 regulations become final, or more stringent standards for content and
 - 10 networking as determined by the board;
 - 11 2. Medical lexicon for administrative billing and clinical purposes;
 - 12 3. Procedure and billing codes; and
 - 13 4. Prevalent health care industry standards for software and networking
 - 14 that ensure that applications work on all types of computer systems and
 - 15 equipment;
- 16 (j) Establish procedures to ensure that Ke-HN transactions are in compliance
- 17 with HIPAA guidelines;
- 18 (k) Facilitate the implementation of the federal HIPAA guidelines, and identify
- 19 any additional variables specific to Kentucky that are required to be in
- 20 transactions within the HIPAA guidelines;
- 21 (l) Oversee the operations of the Ke-HN, including but not limited to making
- 22 recommendations for financing the central interchange for the network and
- 23 making recommendations to organizations about implementing the network in
- 24 their respective organizations;
- 25 (m) Oversee the development of the central interchange that supports
- 26 communication between components of the Medicaid management
- 27 information system;

- 1 (n) Implement educational efforts about the Ke-HN;
- 2 (o) Develop incentives for providers and payors to use the Ke-HN;
- 3 (p) Identify options for, adopt, and implement approaches to various aspects of
- 4 the Ke-HN necessary for its creation and operation, including but not limited
- 5 to technology architecture, governance and oversight, development and
- 6 implementation plans, and other areas identified by the board relating to its
- 7 charge;
- 8 (q) Facilitate the development of private and public partnerships to build the Ke-
- 9 HN;
- 10 (r) Assign priority in phasing in the network to geographical locations that are
- 11 critical to homeland security and protection of the Commonwealth's energy
- 12 production;
- 13 (s) Collaborate with federal agencies in the development and implementation of
- 14 the Ke-HN as a demonstration model for the nation;
- 15 (t) Collaborate with the Kentucky Health Care Infrastructure Authority created
- 16 under KRS 216.261;
- 17 (u) Assist with the securing of state, federal, or private funding for the Kentucky
- 18 Health Care Infrastructure Authority created under KRS 216.261;
- 19 (v) Stimulate the development of state and local population health information
- 20 capacities;
- 21 (w) Promulgate administrative regulations in accordance with KRS Chapter 13A
- 22 necessary to carry out the responsibilities of the board;
- 23 (x) Receive and dispense funds appropriated for its use by the General Assembly
- 24 or may solicit, apply for, and receive any funds, property, or services from any
- 25 person, governmental agency, or organization to carry out its statutory
- 26 responsibilities;
- 27 (y) Report to the Governor, secretary of the Cabinet for Health and Family

1 Services, commissioner of the Department of ~~of Innovation and~~
 2 Commercialization and Innovation ~~[for a Knowledge Based Economy]~~,
 3 Legislative Research Commission, Interim Joint Committee on Health and
 4 Welfare, and Interim Joint Committee on Banking and Insurance annually on
 5 the development of the Ke-HN and the impact on quality and cost of health
 6 care; and

7 (z) Collaborate with the Telehealth Board to link functions of the telehealth
 8 network to the Ke-HN, as determined by the Telehealth Board.

9 (3) The board may:

10 (a) Use any software program or expand any Medicaid management information
 11 system or electronic provider and payor network developed by the Medicaid
 12 program to support electronic health transactions between payors, insurers,
 13 health care providers, and patients that are not Medicaid-related, unless
 14 prohibited by federal law or regulation;

15 (b) Contract, in accordance with KRS Chapter 45A, with an independent third
 16 party for any service necessary to carry out the responsibilities of the board
 17 subject to the appropriation of funds;

18 (c) Award grants to health care providers and payors to implement projects
 19 related to health informatics, with highest priority given to health care
 20 providers and payors that serve rural and inner-city areas of this
 21 Commonwealth; and

22 (d) Enter into an agreement with the University of Kentucky or the University of
 23 Louisville to develop comparative business models or implement any phase of
 24 the Ke-HN, using private or federal funds received by the university for the
 25 purpose designated in the agreement.

26 (4) In its fully implemented form, the Kentucky e-Health Network is envisioned to
 27 support or encourage the following types of electronic transactions or activities that

1 would be phased in over time:

- 2 (a) Automatic drug-drug interaction and allergy alerts;
- 3 (b) Automatic preventive medicine alerts;
- 4 (c) Electronic access to the results of laboratory, X-ray, or other diagnostic
5 examinations;
- 6 (d) Disease management;
- 7 (e) Disease surveillance and reporting;
- 8 (f) Educational offerings for health care providers;
- 9 (g) Health alert system and other applications related to homeland security;
- 10 (h) Links to drug formularies and cost information;
- 11 (i) Links to evidence-based medical practice;
- 12 (j) Links to patient educational materials;
- 13 (k) Medical record information transfer to other providers with the patient's
14 consent;
- 15 (l) Physician order entry;
- 16 (m) Prescription drug tracking;
- 17 (n) Registries for vital statistics, cancer, case management, immunizations, and
18 other public health registries;
- 19 (o) Secured electronic consultations between providers and patients;
- 20 (p) A single-source insurance credentialing system for health care providers; and
- 21 (q) The following transactions covered by HIPAA:
 - 22 1. Electronic health care claims submission;
 - 23 2. Electronic payment;
 - 24 3. Coordination of benefits;
 - 25 4. Health care claim status;
 - 26 5. Enrollment and disenrollment in a health plan;
 - 27 6. Eligibility for a health plan;

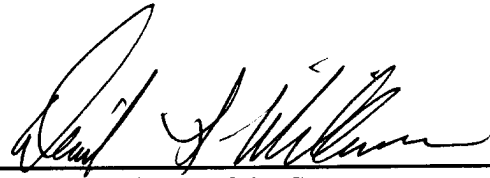
- 1 7. Health plan premium payments;
- 2 8. Referral certification and authorization;
- 3 9. First report of injury; and
- 4 10. Health claims attachments.

5 Section 14. The following KRS section is repealed:

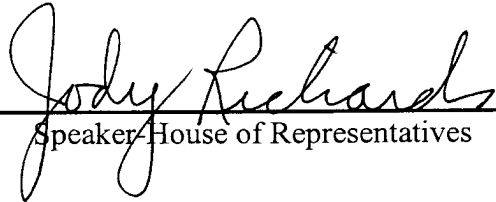
6 154.12-265 Department for Regional Development -- Purpose -- Appointment of
7 commissioner.

8 Section 15. In order to reflect the reorganization effectuated by this Act, the reviser
9 of statutes shall replace references in the Kentucky Revised Statutes to the agencies,
10 subagencies, and officers affected by this Act with references to the appropriate successor
11 agencies, subagencies, and officers established by this Act. The reviser of statutes shall
12 base these actions on the functions assigned to the new entities by this Act and may
13 consult with officers of the affected agencies, or their designees, to receive suggestions.

14 Section 16. Any other provision of law to the contrary notwithstanding, the
15 General Assembly confirms Resolution 05-02 of the Kentucky Economic Development
16 Partnership, relating to the Department for Regional Development, and Resolution 05-03
17 of the Kentucky Economic Development Partnership, relating to the Department for
18 Innovation and Commercialization for a Knowledge Based Economy, to the extent these
19 resolutions are not otherwise confirmed or superseded by this Act, these resolutions
20 having been made by the Kentucky Economic Development Partnership under the
21 authority granted to it by KRS 12.028 and 154.10-030.

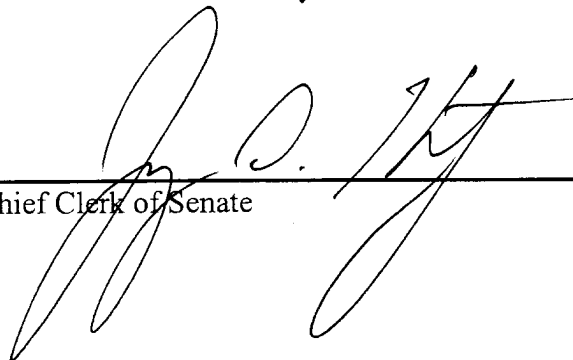


President of the Senate



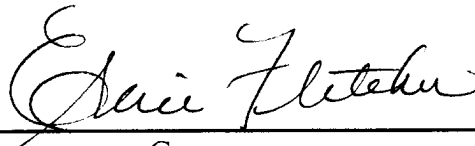
Speaker House of Representatives

Attest:



Chief Clerk of Senate

Approved



Governor

Date

4/21/06